Appendix D: Government Finance Statistics Statements

The tables presented in this appendix are prepared in a manner consistent with the Government Finance Statistics (GFS) classification framework determined by the Australian Bureau of Statistics (ABS). The new GFS framework reflects the principles contained in the international standards set out in the United Nations' *A System of National Accounts, 1993* and the *Manual on Government Finance Statistics*, which is currently being reviewed by the International Monetary Fund. The first presentation by the ABS of public finance statistics on an accrual accounting basis is expected to be in the next issue of *Government Financial Estimates, Australia* (Cat. No. 5501.0) for 1999-2000, which is planned for release in February 2000.

While the GFS and AAS31 standards are generally consistent, there are some significant variations between them in the treatment of some items. In particular, revaluations of financial and non-financial assets and liabilities are classified differently under AAS31 and GFS standards. Such transactions include, for example, gains or losses from foreign exchange rate variations.

Under AAS31 reporting, valuation changes will affect revenues or expenses. However, under GFS reporting revaluations are treated neither as revenues nor expenses, and are not taken into account in the calculation of the net operating balance. This treatment of revaluations in GFS is consistent with that required by international statistical standards.

The Government's primary measure of fiscal policy under accrual accounting is the fiscal balance (GFS net lending). The fiscal balance is the GFS net operating balance (revenue less expenses) adjusted for net capital investment (the net acquisition of non-financial assets). As a result, the fiscal balance measures the investment-saving balance (that is, the government's direct contribution to the current account deficit).

Some key differences between the GFS and AAS31 standards are summarised in the table below. In addition, a reconciliation between the AAS31 operating result and the fiscal balance is presented in Part III.

SECTORAL CLASSIFICATIONS

The three sectors constituting the Commonwealth public sector under GFS and national accounting standards are:

- the general government sector;
- the Public Trading Enterprise (PTE) sector; and

- the Public Financial Enterprise (PFE) sector.[1]

Agencies belonging to the Commonwealth general government sector are the key focus of the budget financial statements. In the MYEFO, as in the Budget, financial data are also presented on a GFS consistent basis for the Commonwealth PTE and consolidated non-financial public sectors.

The primary function of the general government sector is to provide public services for the collective consumption of the community that are mainly:

- non-market in nature;
- involve the transfer or redistribution of income; and
- are financed chiefly through taxes and other compulsory levies.

Examples of agencies that belong to the Commonwealth general government sector are Commonwealth departments and Commonwealth authorities such as the Australian Broadcasting Corporation (ABC) and the Commonwealth Scientific and Industrial Research Organisation (CSIRO).

PTEs are government controlled enterprises that provide goods and services that are mainly market, non-regulatory and non-financial in nature and are financed predominantly through sales to consumers. Examples of PTEs are Telstra and Australia Post.

PFEs are government controlled enterprises that perform central banking functions, accept demand, time or savings deposits, or have the authority to incur liabilities and acquire financial assets in the market on their own account. Examples are the Reserve Bank of Australia and Medibank Private Ltd.

When preparing the Commonwealth general government consolidated financial statements material transactions between general government agencies are eliminated, for example payments of fringe benefits tax.

Transactions between the general government and PTE sectors are included in their respective financial statements, however they are eliminated from the consolidated non-financial public sector tables (as they are transactions internal to that consolidated sector).

Transactions between the Commonwealth non-financial and PFE sectors are included in all tables. These transactions might include income transfers, net advances paid to PFEs and taxes paid by PFEs to the general government sector.

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1 From the release of the next issue of *Government Financial Estimates, Australia*, the ABS intends that Public Trading Enterprises will be referred to as Public Non-Financial Corporations (PNCs), and Public Financial Enterprises as Public Financial Corporations (PFCs).

The classification of agencies in this document is consistent with that used by the ABS. Where an agency's operations change materially (for example, as a result of corporatisation), its sectoral classification is reviewed and if necessary reclassified.

The GFS tables in this appendix have been produced by the Department of Finance and Administration in consultation with the ABS.

Table D1: Selected Differences between AAS31 and GFS Reporting Standards

Issue	AAS31 treatment	GFS treatment
Writedowns/provisions for bad and doubtful debts	Classified as operating expenses.	Classified as revaluations and not treated as operating expenses. Bad debts written off are treated as capital transfers (if mutually agreed between debtor and creditor) or as other changes in volume of assets (if unilaterally written off by the creditor).
Abnormal and extraordinary items	In accounting terms, abnormal items are transactions that occur within the normal operations of an enterprise but are abnormal due to their size. Extraordinary items are transactions that occur outside the ordinary operations of government and are not of a recurring nature. These items are included in the operating statement but are disclosed separately.	Each abnormal item is considered on an individual basis to ascertain whether it is an economic transaction, and in which period the transaction applies. If it is treated as an economic transaction then it will have an effect on the GFS net operating balance.
Benefits to households in goods and services (social transfers in kind) component of personal benefit payments	All personal benefit payments are classified as transfers in the operating statement.	This component of personal benefit payments is treated as part of 'other expenses' in the operating statement.
Finance leases	Finance leases are treated as if the asset were purchased from borrowings. That is, the lease payment is split into an interest component (which is shown as an operating expense) and a principal component (a liability). The asset and the liability are both recorded in the balance sheet. However, this convention does not apply to the cash flow statement, which does not record the acquisition of the asset or the liability.	The GFS treatment of finance leases is consistent with the accounting standard treatment. However, the acquisition of the asset is taken into account in deriving the cash underlying balance.
Public debt net interest	Under accounting standards, premia and discounts on the repurchase of debt are included in public debt net interest at the time of repurchase, regardless of whether the stock is cancelled at that time. Issue premia and discounts are amortised over the life of the stock.	Repurchase premia and discounts are treated as economic revaluations at the time the debt is repurchased (provided it is valued at historical cost).

Table D2: General Government Operating Statement

	1999-00 $m	2000-01 $m	2001-02 $m	2002-03 $m
	General Government			
GFS revenue				
Taxation revenue	145387	140901	144624	153802
Current grants and subsidies	34	24	24	24
Sales of goods and services	3571	3588	3602	3571
Interest income	2777	3271	3918	5434
Other	10502	5930	5756	5547
Total GFS revenue	**162272**	**153713**	**157925**	**168379**
GFS expenses				
Gross operating expenses				
Depreciation	2575	2875	3216	3497
Superannuation	1392	1173	1117	1065
Other operating expenses	43138	44609	45412	45937
Total gross operating expenses	47105	48657	49745	50499
Nominal superannuation interest expense	3391	3411	3423	3423
Other interest expenses	8365	8325	8161	8318
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	44247	28847	31283	30272
Subsidy expenses	3782	4230	4572	4757
Other current transfers	49086	54882	56773	60370
Total current transfers	97115	87959	92628	95399
Capital transfers	200	200	200	200
Total GFS expenses	**156176**	**148551**	**154157**	**157840**
Net operating balance	**6096**	**5162**	**3768**	**10539**
Net acquisition of non-financial assets				
Gross fixed capital formation	3683	3777	3991	4090
less Depreciation	2575	2875	3216	3497
plus Change in inventories	171	-109	50	-105
plus Other movements in non-financial assets	-55	-23	1	-4
Total net acquisition of non-financial assets	**1225**	**770**	**827**	**484**
Net lending/fiscal balance	**4871**	**4392**	**2941**	**10056**

Table D3: Public Trading Enterprise Sector Operating Statement

	1999-00 $m
	Public Trading Enterprises
GFS revenue	
Current grants and subsidies	169
Sales of goods and services	24795
Interest income	68
Other	29
Total GFS revenue	**25062**
GFS expenses	
Gross operating expenses	
Depreciation	3169
Other operating expenses	15803
Total gross operating expenses	18972
Interest expenses	818
Other property expenses	3030
Current transfers	
Tax expenses	2250
Other current transfers	0
Total current transfers	2250
Capital transfers	0
Total GFS expenses	**25071**
Net operating balance	**-9**
Net acquisition of non-financial assets	
Gross fixed capital formation	4594
less Depreciation	3169
plus Change in inventories	-8
equals Total net capital formation	1417
plus Other movements in non-financial assets	0
Total net acquisition of non-financial assets	**1417**
Net lending/fiscal balance	**-1426**

Table D4: Total Non-financial Public Sector Operating Statement

	1999-00 $m
	Total Non-Financial Public Sector
GFS revenue	
Taxation revenue	142389
Current grants and subsidies	34
Sales of goods and services	28366
Interest income	2823
Other	7771
Total GFS revenue	**181382**
GFS expenses	
Gross operating expenses	
Depreciation	5744
Other operating expenses	59033
Total gross operating expenses	64777
Nominal superannuation interest expense	3391
Other interest expenses	9160
Other property expenses	1569
Current transfers	
Grant expenses	44247
Subsidy expenses	3613
Other current transfers	48338
Total current transfers	96198
Capital transfers	200
Total GFS expenses	**175296**
Net operating balance	**6087**
Net acquisition of non-financial assets	
Gross fixed capital formation	8277
less Depreciation	5744
plus Change in inventories	163
plus Other movements in non-financial assets	-55
Total net acquisition of non-financial assets	**2642**
Net lending/fiscal balance	**3444**

Table D5: General Government Sector Balance Sheet

	1999-00 $m	2000-01 $m	2001-02 $m	2002-03 $m
	General Government			
GFS assets				
Financial Assets				
Cash and deposits	985	512	349	244
Advances paid	15070	15100	13849	13862
Investments, loans and placements	8658	8796	8898	9085
Other non-equity assets	12668	10024	14984	13188
Equity	18985	19018	17395	15776
Total financial assets	56366	53451	55475	52156
Non-financial assets				
Land and fixed assets	53926	54352	54578	54957
Other non-financial assets	1894	1875	1941	2038
Total non-financial assets	55821	56227	56519	56995
Total GFS assets	**112187**	**109678**	**111994**	**109151**
GFS liabilities				
Deposits held	637	710	783	856
Advances received	0	0	0	0
Borrowing	85066	77831	61863	34175
Unfunded superannuation liability	69640	69868	69875	69578
Other employee entitlements and provisions	6070	6092	6142	6207
Other non-equity liabilities	11918	12269	12606	12884
Total GFS liabilities	**173332**	**166770**	**151268**	**123700**
Net assets	**-61145**	**-57092**	**-39274**	**-14549**
Net debt(a)	60990	54133	39550	11838

(a) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table D6: Public Trading Enterprise Sector Balance Sheet

	1999-00 $m
	Public Trading Enterprises
GFS assets	
Financial assets	
Cash and deposits	1312
Advances paid	0
Investments, loans and placements	718
Other non-equity assets	2601
Equity	0
Total financial assets	4630
Non-financial assets	
Land and fixed assets	31522
Other non-financial assets	1591
Total non-financial assets	33113
Total GFS assets	**37743**
GFS liabilities	
Deposits held	0
Advances received	10
Borrowing	11051
Provisions (other than depreciation and bad debts)	5810
Other non-equity liabilities	3722
Total GFS liabilities	**20593**
Net assets	**17150**
Net debt(a)	9032

(a) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits advances paid, and investments, loans and placements.

Table D7: Total Non-financial Public Sector Balance Sheet

	1999-00 $m
	Total Non-Financial Public Sector
GFS assets	
Financial assets	
Cash and deposits	2297
Advances paid	15060
Investments, loans and placements	869
Other non-equity assets	14811
Equity	18985
Total financial assets	52022
Non-financial assets	
Land and fixed assets	85448
Other non-financial assets	3485
Total non-financial assets	88934
Total GFS Assets	**140956**
GFS liabilities	
Deposits held	637
Advances received	0
Borrowing	96118
Unfunded superannuation liability	69640
Other employee entitlements and provisions	11880
Other non-equity liabilities	16793
Total GFS liabilities	**195068**
Net assets	**-54112**
Net debt(a)	78528

(a) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table D8: General Government Sector Cash Flow Statement

	1999-00 $m	2000-01 $m	2001-02 $m	2002-03 $m
	General Government			
Cash receipts from operating activities				
Taxes received	143997	135743	145773	154766
Receipts from sales of goods and services	3854	3656	3644	3576
Grants/subsidies received	0	0	0	0
Other receipts	12447	9979	9651	10781
Total receipts	**160298**	**149378**	**159068**	**169123**
Cash payments for operating activities				
Payments for goods and services	26407	27225	27692	28074
Grants and subsidies paid	47704	33033	35768	35206
Interest paid	8700	8741	8309	8471
Other payments for operating activities	70373	76148	78680	82350
Total payments	**153184**	**145147**	**150449**	**154101**
Cash flows from operating activities	**7114**	**4231**	**8619**	**15022**
Cash Flows from investments in non-financial assets				
Sales of non-financial assets	744	976	943	696
Less purchases of new & secondhand non-financial assets	4427	4753	4934	4786
Net cash flows from investments in non-financial assets	**-3683**	**-3777**	**-3991**	**-4090**
Cash flows from investments in financial assets for policy purposes				
Net advances paid	9452	6288	11125	16662
Net equity acquisitions, disposals & privatisations	0	0	0	0
Net cash flows from investments in financial assets for policy purposes	**9452**	**6288**	**11125**	**16662**
Cash Flows from investments in financial assets for liquidity purposes				
Increase in investments	-547	-181	-387	-462
Net cash flows from investments in financial assets for liquidity purposes	**-547**	**-181**	**-387**	**-462**
Cash flows from financing activities				
Advances received (net)	0	0	0	0
Borrowing (net)	-15902	-6642	-15371	-27394
Deposits received (net)	0	0	0	0
Distributions paid (net)	0	0	0	0
Other financing (net)	1162	-391	-158	156
Net cash flows from financing activities	**-14740**	**-7033**	**-15529**	**-27238**
Net increase/decrease in cash held	**-2405**	**-473**	**-163**	**-106**
	Surplus			
Net cash from operating activities and investments in non-financial assets	**3430**	**454**	**4627**	**10933**
plus Finance leases and similar arrangements	0	0	0	0
Equals Surplus(+)/Deficit(-)	**3430**	**454**	**4627**	**10933**

Table D9: Public Trading Enterprise Sector Cash Flow Statement

	1999-00 $m
	Public Trading Enterprises
Cash receipts from operating activities	
Receipts from sales of goods and services	24486
Grants and subsidies received	170
Other receipts	99
Total receipts	**24755**
Cash payments for operating activities	
Payment for goods and services	15017
Interest paid	766
Other payments for operating activities	5628
Total payments	**21411**
Net cash flows from operating activities	**3344**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	243
Less purchases of new and secondhand non-financial assets	4837
Net cash flows from investments in non-financial assets	**-4594**
Cash flows from investments in financial assets for policy purposes	
Net advances paid	0
Net equity acquisitions, disposals and privatisations	0
Net cash flows from investments in financial assets for policy purposes	**0**
Cash Flows from investments in financial assets for liquidity purposes	
Increase in investments	-11
Net cash flows from investments in financial assets for liquidity purposes	**-11**
Cash flows from financing activities	
Advances received (net)	-32
Borrowing (net)	1339
Deposits received (net)	0
Distributions paid (net)	0
Other financing (net)	14
Net cash flows from financing activities	**1321**
Net increase/decrease in cash held	**59**
	Surplus
Net cash from operating activities and investments in non-financial assets	**-1250**
plus Finance leases and similar arrangements	0
Equals Surplus(+)/Deficit(-)	**-1250**

Table D10: Total Non-financial Public Sector Cash Flow Statement

	1999-00 $m
	Total non-financial public sector
Cash receipts from operating activities	
Taxes received	140999
Receipts from sales of goods and services	28340
Grants and subsidies received	0
Other receipts	9762
Total receipts	**179102**
Cash payments for operating activities	
Payments for goods and services	41423
Grants and subsidies paid	47535
Interest paid	9444
Other payments for operating activities	70242
Total payments	**168644**
Net cash flows from operating activities	**10457**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	987
Less purchases of new and secondhand non-financial assets	9264
Net cash flows from investments in non-financial assets	**-8277**
Cash flows from investments in financial assets for policy	
Net advances paid	9420
Net equity acquisitions, disposals and privatisations	0
Net cash flows from investments in financial assets for policy purposes	**9420**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-559
Net cash flows from investments in financial assets for liquidity purposes	**-559**
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	-14563
Deposits received (net)	0
Distributions paid (net)	0
Other financing (net)	1176
Net cash flows from financing activities	**-13387**
Net increase/decrease in cash held	**-2346**
	Surplus
Net cash from operating activities and investments in non-financial assets	**2180**
plus Finance leases and similar arrangements	0
Equals Surplus(+)/Deficit(-)	**2180**

LOAN COUNCIL ALLOCATION

Table D11 presents a revised estimate of the Commonwealth's 1999-2000 Loan Council Allocation (LCA), updating the budget estimate provided in *1999-2000 Budget Paper No. 3, Federal Financial Relations*. LCA estimates are on a headline cash basis as they seek to measure a government's call on financial markets.

The fall in the Commonwealth's estimated LCA surplus since budget mainly reflects a change in the timing of receipts from the sale of the second tranche of Telstra, with the final instalment of payments for Telstra 2 shares due in 2000-01, rather than 1999-2000 as anticipated at budget. Consequently, the Commonwealth expects to exceed the 2 per cent of revenue tolerance limit that applies on either side of its budget LCA estimate.

Table D11: Commonwealth's Loan Council Allocation for 1999–2000

	Budget Estimate $m	MYEFO Estimate $m
General government sector headline deficit	-23036	-12882
PTE sector net financing requirement	748	1282
Non-financial public sector headline deficit	-22287	-11600
Memorandum items(a)(b)	34	481
Loan Council Allocation	**-22254**	**-11119**

(a) For the Commonwealth, memorandum items comprise the change in the net present value of operating leases (with NPV greater than $5 million), university borrowings, overfunding of superannuation and an adjustment to exclude the net financing requirements of statutory marketing authorities and Telstra from the LCA.

(b) The Commonwealth does not expect to enter into any infrastructure projects with private sector involvement in 1999–2000.